

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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January 27, 2003

Ms. Sybil B. Neaves, Director of Reimbursement
Integrated Health Services, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

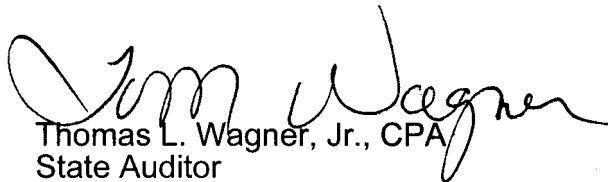
Re: AC# 3-GAI-J8 – Golden Age – Inman, Inc.

Dear Ms. Neaves:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

GOLDEN AGE – INMAN, INC.

INMAN, SOUTH CAROLINA

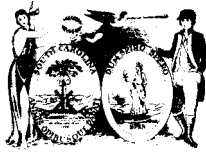
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-GAI-J8**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 21, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Golden Age – Inman, Inc., for the contract period beginning October 1, 1999 and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Golden Age – Inman, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

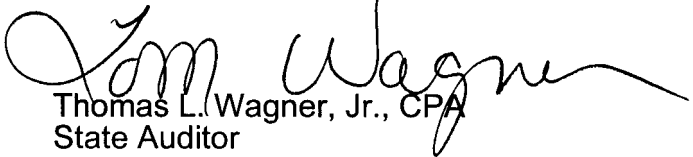
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Golden Age – Inman, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Golden Age – Inman, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 21, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

GOLDEN AGE – INMAN, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-GAI-J8

	10/01/99
	<u>09/30/00</u>
Interim Reimbursement Rate (1)	\$87.66
Adjusted Reimbursement Rate	<u>86.87</u>
Decrease in Reimbursement Rate	\$ <u>.79</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

GOLDEN AGE – INMAN, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-GAI-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.71	\$47.67	
Dietary		10.02	11.42	
Laundry/Housekeeping/Maintenance		<u>8.21</u>	<u>8.77</u>	
Subtotal	\$ <u>4.75</u>	55.94	67.86	\$55.94
Administration & Medical Records	\$ <u>-</u>	<u>14.27</u>	<u>12.21</u>	<u>12.21</u>
Subtotal		70.21	<u>\$80.07</u>	68.15
<u>Costs Not Subject to Standards:</u>				
Utilities		2.30		2.30
Special Services		.71		.71
Medical Supplies & Oxygen		3.22		3.22
Taxes and Insurance		1.45		1.45
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$77.89</u>		75.83
Inflation Factor (3.00%)				2.27
Cost of Capital				6.37
Cost of Capital Limitation				(.79)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.75
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.00)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.69</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$86.87</u>

GOLDEN AGE – INMAN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$606,226	\$ -	\$ 2,007 (2) 6,551 (3)	\$ 597,668
Dietary	158,760	-	-	158,760
Laundry	52,930	314 (4)	-	53,244
Housekeeping	62,313	-	-	62,313
Maintenance	14,578	-	-	14,578
Administration & Medical Records	239,299	6,551 (3)	2,448 (2) 17,192 (4)	226,210
Utilities	36,372	-	-	36,372
Special Services	14,989	78 (4)	3,859 (5)	11,208
Medical Supplies & Oxygen	51,105	-	-	51,105
Taxes & Insurance	22,913	-	-	22,913
Legal Fees	-	-	-	-
Cost of Capital	103,289	472 (1) 296 (6)	3,075 (4)	100,982
Subtotal	1,362,774	7,711	35,132	1,335,353

GOLDEN AGE – INMAN, INC.

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	16,598	-	-	16,598
Non-Allowable	77,107	4,455 (2) 19,875 (4) <u>3,859 (5)</u>	472 (1) 296 (6) <u> </u>	104,528 <u> </u>
Total Operating Expenses	<u>\$1,456,479</u>	<u>\$35,900</u>	<u>\$35,900</u>	<u>\$1,456,479</u>
Total Patient Days	<u>15,848</u>	<u>-</u>	<u>-</u>	<u>15,848</u>
TOTAL BEDS	<u>44</u>			

GOLDEN AGE – INMAN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$144,057	
	Cost of Capital	472	
	Nonallowable		\$ 472
	Other Equity		144,057
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	4,455	
	Nursing		2,007
	Administration		2,448
	To adjust Premiere fees		
	HIM-15-1, Section 2304		
3	Medical Records	6,551	
	Nursing		6,551
	To reclassify medical director fees to the proper cost center		
	DH&HS Expense Checklist		
4	Nonallowable	19,875	
	Laundry	314	
	Therapy	78	
	Administration		17,192
	Cost of Capital		3,075
	To adjust home office and related party laundry expense		
	HIM-15-1, Section 2304		
5	Nonallowable	3,859	
	Special Services		3,859
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

GOLDEN AGE – INMAN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	296	296
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$179,957</u>	<u>\$179,957</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

GOLDEN AGE – INMAN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>44</u>
Deemed Asset Value	1,545,720
Improvements Since 1981	97,743
Accumulated Depreciation at 9/30/98	<u>(264,920)</u>
Deemed Depreciated Value	1,378,543
Market Rate of Return	<u>.063</u>
Total Annual Return	86,848
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	86,848
Depreciation Expense	15,701
Amortization Expense	107
Capital Related Income Offsets	(1,674)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	100,982
Total Patient Days (Actual)	<u>15,848</u>
Cost of Capital Per Diem	\$ <u>6.37</u>

GOLDEN AGE – INMAN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-GAI-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.59
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.58</u>
Reimbursable Cost of Capital Per Diem	\$5.58
Cost of Capital Per Diem	<u>6.37</u>
Cost of Capital Per Diem Limitation	<u>\$(.79)</u>

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